

Message Text

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ACTION ABF-01

INFO OCT-01 AF-10 EUR-12 ISO-00 FS-01 OPR-02 PER-01

IGA-02 AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05 CEA-01

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FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 5906

INFO DEPT OF TREASURY WASHDC

AMEMBASSY PARIS

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PARIS FOR RFC

E.O. 11652: N/A

TAGS: AFIN, ABUD, SU, EFIN

SUBJECT: CURRENCY EXCHANGE RATE

REF: (A) KHARTOUM 3219; (B) KHARTOUM 3673

SUMMARY: PRESIDENT NIMEIRI ON NOVEMBER 14 ANNOUNCED, IN EFFECT, A DE FACTO DEVALUATION OF SUDANESE POUND WHEN HE ORDERED GREATLY INCREASED ACCESS TO SUDANESE EXPATRIATE INCENTIVE EXCHANGE RATE OF .578 SUDANESE POUNDS EQUALS ONE DOLLAR U.S. EMBASSY HAS PREVIOUSLY RECOMMENDED (SEE REFS A AND B) THAT TREASURY AND DEPARTMENT CHANGE PRESENT EMBASSY CURRENCY RATES TO THIS LEVEL. NIMEIRI'S ANNOUNCEMENT GREATLY STRENGTHENS CASE FOR MAKING THIS ADJUSTMENT PROMPTLY. END SUMMARY.

1. PRESIDZMT NIMEIRI ON NOVEMBER 14 IN HIS MONTHLY FACE THE NATION BROADCAST ANNOUNCED GREATLY EXPANDED ACCESS TO THE MOST FAVORABLE INCENTIVE EXCHANGE RATE PRESENTLY AVAILABLE.

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THIS .578 POUNDS TO U.S. DOLLAR RATE (ALSO KNOWN AS 65 PERCENT INCENTIVE RATE) TECHNICALLY HAD BEEN LIMITED PRIMARILY TO SUDANESE CITIZENS RESIDING ABROAD. PROGRESSIVELY, ALL SUDANESE ABROAD HAVE BEEN USING THIS RATE. NEW LIST OF PERSONS ELIGIBLE FOR THIS RATE INCLUDES PRACTICALLY ALL SUDANESE WHO MIGHT RECEIVE FOREIGN EXCHANGE EITHER ABROAD OR IN SUDAN IN COURSE OF THEIR NORMAL ACTIVITIES. NEW LIST

INCLUDES (A) LAWYERS, ENGINEERS, FIRMS OF EXPERTS AND CHARTERED ACCOUNTANTS WITH BUSINESS LINKS ABROAD; (B) PENSIONERS WHOSE PENSIONS ARE RECEIVED IN FOREIGN CURRENCY; (C) EMPLOYEES OF INTERNATIONAL INSTITUTIONS AND REGIONAL ORGANIZATIONS IN THE SUDAN WHO RECEIVE THEIR SALARIES IN FOREIGN CURRENCY; (D) SUDANESE DIPLOMATS WHO WORK AT SUDANESE EMBASSIES AND DIPLOMATIC MISSIONS; AND (E) CITIZENS WHO HAVE PROPERTY ABROAD. WITH CURRENT NATURE OF SUDAN'S IMPORTS, ONLY SIGNIFICANT CATEGORIES OF TRANSACTIONS WHICH ARE EXECUTED AT EXCHANGE RATE PRESENTLY USED BY EMBASSY ARE FOR GOVERNMENT EXPORT SALES OF AGRICULTURAL COMMODITIES FROM GOVERNMENT MONOPOLY SALES ORGANIZATIONS AND IMPORTS FOR GOVERNMENT PURCHASES. AS PREVIOUSLY REPORTED, VIRTUALLY ALL PRIVATE SECTOR IMPORTS (ONE THIRD OF TOTAL IMPORTS) ARE IMPORTED ON NIL VALUE LICENSES WHERE FOREIGN CURRENCY IS PURCHASED AT FREE RATE OF BETWEEN .600 TO .650 SUDANESE POUNDS PER DOLLAR.

2. THIS ACTION BY PRESIDENT NIMEIRI IS AN ACCEPTANCE OF AN ALREADY EXISTING DEVALUATION OF THE SUDANESE POUND FOR FREE (PRIVATE SECTOR) TRANSACTIONS. NEW MEASURES CLEARLY AN ATTEMPT BY SUDAN TO CHANNEL THESE TRANSACTIONS THROUGH SUDAN'S BANKING SYSTEM. ALSO, GOVERNMENT MAY HOPE THAT THIS NEW SYSTEM WILL REDUCE FOREIGN COSTS OF NIL VALUE TRANSACTIONS. PREVIOUSLY, SUDANESE MERCHANTS PURCHASING FOREIGN EXCHANGE FROM SUDANESE EXPATRIATES HAD TO MAKE THOSE LIMITED OFFICIAL USE

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PURCHASES OUTSIDE SUDAN. IN NEW SYSTEM, WITH OTHER MORE LIBERALIZED REGULATIONS ON PERSONS ELIGIBLE TO HOLD FOREIGN EXCHANGE ACCOUNTS, IT IS NOW POSSIBLE FOR FAMILY MEMBERS RESIDING IN SUDAN OR EXPATRIATES TO MAKE FOREIGN EXCHANGE TRANSACTIONS THROUGH BANKING SYSTEM WHILE IN SUDAN. IT IS DOUBTFUL, HOWEVER, THAT GOVERNMENT WILL OBTAIN SIGNIFICANT ADDITIONAL FOREIGN EXCHANGE RECEIPTS BY THIS MEANS. DEMAND FOR FOREIGN EXCHANGE IS SO GREAT THAT MOST SELLERS WILL CONTINUE TO RECEIVE RATES SIGNIFICANTLY HIGHER THAN 65 PERCENT INCENTIVE EXCHANGE RATE.

3. LOCAL BANK SOURCES ESTIMATE THAT THEY WILL BE DOING PRACTICALLY NO PRIATE TRANSACTIONS AT RATE EMBASSY IS PRESENTLY USING OF .398 SUDANESE POUNDS EQUALS ONE DOLLAR U.S. BECAUSE OF REASONS ALREADY ENUMERATED AND THIS SIGNIFICANT EXPANSION OF USE OF .578 INCENTIVE RATE, EMBASSY RECOMMENDS THAT TREASURY AND DEPARTMENT PROMPTLY AUTHORIZE OUR USE OF THIS RATE. BERGUS

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Message Attributes

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